

DETROIT/WAYNE COUNTY PORT AUTHORITY

**FINANCIAL STATEMENTS**  
**(With Required Supplementary Information)**

September 30, 2018 and 2017



DETROIT/WAYNE COUNTY PORT AUTHORITY

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## **INDEPENDENT AUDITOR'S REPORT**

May 31, 2019

To the Board of Directors  
Detroit/Wayne County Port Authority

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Detroit/Wayne County Port Authority (the "Authority") as of, and for the years ended, September 30, 2018 and 2017, as well as the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

The Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**INDEPENDENT AUDITOR'S REPORT (CONTINUED)**

**Opinions**

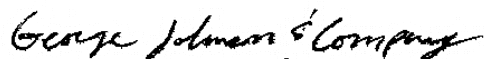
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of September 30, 2018 and 2017, and the respective changes in financial position thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

**Report on Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and budgetary comparison on pages 37 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 31, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS  
Detroit, Michigan

**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

**September 30, 2018 and 2017**

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This section of the annual report of the Detroit/Wayne County Port Authority (the “Authority”) presents management’s discussion and analysis of the Authority’s financial performance during the fiscal years that ended on September 30, 2018 and 2017. Please read it in conjunction with the Authority’s financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

Operating funding of the Authority declined during the year ended September 30, 2018 due to reductions in funding from the State of Michigan (the “State”) from approximately \$468,000 during the year ended September 30, 2017 to \$200,000 during the year ended September 30, 2018. The City of Detroit (the “City”), in turn, reduced the Authority’s funding from \$250,000 during the year ended September 30, 2017 to approximately \$232,000 during the year ended September 30, 2018 in response to the State’s funding reduction. Funding from Wayne County (the “County”) was unchanged. The Authority continues to serve as the fiduciary for the Ferrous CAL Company (“Ferrous”) and the City Club Apartments (“City Club”) projects. During the year ended September 30, 2018, the Authority issued \$500,000 under the Environmental Protection Agency (“EPA”) Revolving Loan Fund (“RLF”) to City Club. City Club was also awarded \$750,000 in the form of a grant from the Michigan Department of Environmental Quality (“MDEQ”) and a \$250,000 MDEQ loan. The \$800,000 EPA RLF, a collaborative effort between the Authority, the Detroit Economic Growth Corporation (the “DEGC”), and the County, is still available, and the Authority is actively looking for a project partner to use the available funds. During the year ended September 30, 2018, the Authority was awarded its fourth EPA RLF in the amount of \$500,000. The Authority is currently looking for project partners to use the available funds.

Key successes for the Authority for the fiscal year ended September 30, 2018 include the following:

- The Authority’s operating funding was reduced from the previous year. The State reduced its funding from approximately \$468,000 during the year ended September 30, 2017 to \$200,000 during the year ended September 30, 2018. The City reduced its funding as well, from \$250,000 during the year ended September 30, 2017 to approximately \$232,000 during the year ended September 30, 2018. The County’s funding has remained consistent at \$250,000 per year over the past five years.
- During the year ended September 30, 2018, the Authority was awarded \$500,000 in supplemental EPA RLF funds. The Authority is currently looking for a project to finance with the available funds.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2018 and 2017**

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**FINANCIAL HIGHLIGHTS (CONTINUED)**

- During the year ended September 30, 2018, the Authority continued to serve as a pass-through for a \$2,000,000 loan from the MDEQ for the Ferrous Steel project. The loan is for environmental remediation at the Ferrous Steel site in Gibraltar, Michigan. As of September 30, 2018, the Authority has received the remaining \$900,000 and distributed approximately \$298,000 during the year. The Authority also received a grant for approximately \$110,000 during the year ended September 30, 2018 to assist with administration of the grant. As of September 30, 2018, approximately \$767,000 of loan funds remain available to be disbursed, along with approximately \$48,000 in unspent grant funds. The Authority intends to use these amounts during the year ending September 30, 2019.
- During the year ended September 30, 2018, the Authority distributed \$675,000 in MDEQ grant funds to City Club, with \$75,000 remaining for distribution. \$500,000 in EPA RLF funds were also distributed during the year.
- The Authority served as a fiduciary for the Federal Emergency Management Agency Port Security Grant Program. During the year ended September 30, 2018, the Authority distributed approximately \$586,000 to Accipiter Radar to help establish a radar system on a certain area of the Detroit River.
- During the year ended September 30, 2018, the Authority's building events generated approximately \$256,000 in event rental income, a decrease of less than one percent from the previous year. The Authority expects revenue to increase in the coming year.
- The Authority's public dock generated approximately \$65,000 in revenue, an increase of approximately 56 percent from the previous year. During the year ended September 30, 2018, the Authority hosted 20 visits from the *Victory I* and *Victory II* cruise ships, resulting in more than \$20,000 in revenue. The Authority is expecting 23 cruise ship visits in the coming year.
- The Ambassador Port Company note payable balance is down approximately two percent from last year to \$1,982,120. This represents a net decrease of approximately six percent from the original note balance of \$2,103,000 as of September 30, 2005.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report contains two types of financial statements. The statements of net position and statements of activities (which are presented on pages 11 and 12) are considered government-wide financial statements. The balance sheets and statements of revenue, expenditures, and changes in fund balances for governmental funds (which are presented on pages 13, 14, 16, and 17) are considered fund financial statements.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

September 30, 2018 and 2017

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**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

A further discussion of each type of statement follows.

**Government-Wide Financial Statements**

The government-wide financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies and non-profit organizations. The statements of net position include all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the statements of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the Authority's net position and how they have changed. Net position represents the difference between the Authority's total of assets and deferred outflows of resources and its total of liabilities and deferred inflows of resources, and they represent one way to measure the Authority's financial health, or position. Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the Authority's funds, not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes. Most of the Authority's activities are included in governmental funds, which focus on how cash, and other financial assets that can be readily converted to cash, flow in and out, and show the balances left at the end of the year that are available for spending. As such, the fund financial statements provide a detailed, short-term view that shows whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide financial statements, additional information is provided on pages 15 and 18 that explains the relationship between the fund financial statements and the government-wide financial statements.

The notes to the financial statements, which begin on page 19, explain some of the information in the financial statements and provide more detailed data. A comparison of the Authority's general fund revenue and expenditures to its budget is provided on page 37.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

September 30, 2018 and 2017

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE**

Table 1 reflects a condensed summary of the Authority's assets, liabilities, and net position as of September 30, 2018, 2017, and 2016:

**Table 1**  
**Statements of Net Position**  
**September 30, 2018, 2017, and 2016**  
*(in thousands of dollars)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Assets:</b>			
Cash	\$ 1,624.8	\$ 1,011.6	\$ 1,370.5
Accounts receivable	169.7	128.6	120.5
Capital assets	21,413.9	22,141.2	22,804.9
Loans receivable	2,383.9	1,646.3	1,183.4
Other assets	20.9	20.7	15.7
	<u>25,613.2</u>	<u>24,948.4</u>	<u>25,495.0</u>
<b>Liabilities:</b>			
Long-term liabilities	3,796.5	2,944.2	3,016.3
Other liabilities	399.8	293.5	276.6
	<u>4,196.3</u>	<u>3,237.7</u>	<u>3,292.9</u>
<b>Net Position:</b>			
Net investment in capital assets	17,431.7	19,022.3	19,624.2
Unrestricted	3,985.2	2,688.4	2,577.9
	<u>\$ 21,416.9</u>	<u>\$ 21,710.7</u>	<u>\$ 22,202.1</u>

Accounts receivable balances are reviewed for collectability and are written off as necessary. All receivables are deemed collectible within a reasonable time. There were no receivables written off during the year.



**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

September 30, 2018 and 2017

**FINANCIAL ANALYSIS OF THE ORGANIZATION AS A WHOLE (CONTINUED)**

Table 2 reflects a condensed summary of the Authority's revenue, expenses, and changes in net position for the years ended September 30, 2018, 2017, and 2016:

**Table 2**  
**Statements of Activities**  
**For the Years Ended September 30, 2018, 2017, and 2016**  
*(in thousands of dollars)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenue:</b>			
Program revenue:			
Contracts and grants	\$ 2,647.0	\$ 1,290.6	\$ 1,872.6
General revenue	368.9	333.4	343.4
	<u>3,015.9</u>	<u>1,624.0</u>	<u>2,216.0</u>
<b>Expenses and Losses:</b>			
Import and export promotional programs	3,309.7	2,115.4	1,979.8
	<u>(293.8)</u>	<u>(491.4)</u>	<u>236.2</u>
<b>Net Increase (Decrease) in Net Position</b>	<b>(293.8)</b>	<b>(491.4)</b>	<b>236.2</b>
Net Position, Beginning of Year	21,710.7	22,202.1	21,965.9
	<u>21,710.7</u>	<u>22,202.1</u>	<u>21,965.9</u>
<b>Net Position, End of Year</b>	<b><u>\$ 21,416.9</u></b>	<b><u>\$ 21,710.7</u></b>	<b><u>\$ 22,202.1</u></b>

Revenue from contracts and grants increased for the year due to Accipiter Radar being awarded approximately \$586,000 from the U.S. Department of Homeland Security ("DHS") Port Security Grant Program. There were also pass-through grants of approximately \$785,000 awarded for MDEQ brownfield cleanup projects. General revenue increased from the previous year due to increases in rental income and proceeds from grant administration and management. Total rental income increased to approximately \$351,000 during the year ended September 30, 2018 from approximately \$329,000 during the year ended September 30, 2017, an increase of approximately seven percent. The DHS Port Security grants and EPA RLF grants do not impact the operating revenue of the Authority. These funds are typically passed through to other organizations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

September 30, 2018 and 2017

**FINANCIAL ANALYSIS OF THE ORGANIZATION BY FUND**

Table 3 reflects a condensed summary of the Authority's assets, liabilities, and fund balances in the general and special revenue funds as of September 30, 2018, 2017, and 2016:

**Table 3**  
**Balance Sheets — General and Special Revenue Funds**  
**September 30, 2018, 2017, and 2016**  
*(in thousands of dollars)*

	<u>General Fund</u>			<u>Special Revenue Fund</u>		
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>						
Cash	\$ 521.8	\$ 585.4	\$ 412.2	\$ 1,103.0	\$ 426.2	\$ 958.4
Other assets	190.6	148.3	139.2	-0-	1.0	1.9
<b>Total Assets</b>	<b>\$ 712.4</b>	<b>\$ 733.7</b>	<b>\$ 551.4</b>	<b>\$ 1,103.0</b>	<b>\$ 427.2</b>	<b>\$ 960.3</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable and accrued expenses	\$ 136.3	\$ 79.1	\$ 100.7	\$ 72.2	\$ 31.0	\$ 8.7
<b>Total Liabilities</b>	<b>136.3</b>	<b>79.1</b>	<b>100.7</b>	<b>72.2</b>	<b>31.0</b>	<b>8.7</b>
<b>Fund Balances:</b>						
Nonspendable	20.9	20.6	15.6	-0-	-0-	-0-
Committed	5.0	5.0	-0-	-0-	-0-	-0-
Assigned	-0-	-0-	-0-	1,030.8	396.2	951.6
Unassigned	550.2	629.0	435.1	-0-	-0-	-0-
<b>Total Fund Balances</b>	<b>576.1</b>	<b>654.6</b>	<b>450.7</b>	<b>1,030.8</b>	<b>396.2</b>	<b>951.6</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 712.4</b>	<b>\$ 733.7</b>	<b>\$ 551.4</b>	<b>\$ 1,103.0</b>	<b>\$ 427.2</b>	<b>\$ 960.3</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

September 30, 2018 and 2017

**FINANCIAL ANALYSIS OF THE ORGANIZATION BY FUND (CONTINUED)**

Table 4 reflects a condensed summary of the Authority's revenue, expenditures, and changes in fund balances in the general and special revenue funds for the years ended September 30, 2018, 2017, and 2016:

**Table 4**  
**Statements of Revenue, Expenditures, and Changes in Fund Balances —**  
**General and Special Revenue Funds**  
**For the Years Ended September 30, 2018, 2017, and 2016**  
*(in thousands of dollars)*

	General Fund			Special Revenue Fund		
	2018	2017	2016	2018	2017	2016
<b>Revenue:</b>						
Contracts and grants	\$ 841.2	\$ 1,155.4	\$ 1,173.9	\$ 1,805.8	\$ 135.2	\$ 698.7
Other revenue	368.8	333.4	283.4	-0-	-0-	60.0
<b>Total Revenue</b>	<b>1,210.0</b>	<b>1,488.8</b>	<b>1,457.3</b>	<b>1,805.8</b>	<b>135.2</b>	<b>758.7</b>
<b>Expenditures:</b>						
Current expenditures	971.0	1,101.3	1,130.3	1,477.8	142.8	11.4
Capital outlay	-0-	-0-	-0-	14.8	81.3	739.3
<b>Total Expenditures</b>	<b>971.0</b>	<b>1,101.3</b>	<b>1,130.3</b>	<b>1,492.6</b>	<b>224.1</b>	<b>750.7</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>239.0</b>	<b>387.5</b>	<b>327.0</b>	<b>313.2</b>	<b>(88.9)</b>	<b>8.0</b>
Other Financing Sources (Uses)	(317.5)	(183.6)	(204.8)	321.4	(466.5)	830.7
<b>Net Increase (Decrease) in Fund Balances</b>	<b>(78.5)</b>	<b>203.9</b>	<b>122.2</b>	<b>634.6</b>	<b>(555.4)</b>	<b>838.7</b>
Fund Balances, Beginning of Year	654.6	450.7	328.5	396.2	951.6	112.9
<b>Fund Balances, End of Year</b>	<b>\$ 576.1</b>	<b>\$ 654.6</b>	<b>\$ 450.7</b>	<b>\$ 1,030.8</b>	<b>\$ 396.2</b>	<b>\$ 951.6</b>

**ECONOMIC FACTORS**

During the year ended September 30, 2018, the Authority's operations remained stable, with some decreases in revenue. In February 2018, Kyle Bureson was appointed Executive Director after being appointed Interim Executive Director in the previous year. Delorean Holmes was appointed to the permanent position of Deputy Director. The Authority's Board of Directors filled the vacancy of the Wayne County Commissioner Alisha Bell with former Wayne County Commissioner Shannon Price, who became Chair of the Board after the departure of Lorrion James.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (CONTINUED)**

**September 30, 2018 and 2017**

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**ECONOMIC FACTORS (CONTINUED)**

The Authority has experienced an increase in rental income due to event rentals and an increase in cruise ship dockings. The Authority continues to manage projects such as Ferrous Steel, in which the Authority is working with the MDEQ to redevelop a site in Gibraltar, Michigan. This is a \$2,000,000 loan for environmental remediation at the Ferrous Steel facility that will be repaid through property tax recapture on the land. The Authority has also received grant funds of \$245,000 to assist with the project. The project is expected to create over 150 jobs, not including construction jobs.

The Authority was awarded a \$500,000 supplemental EPA RLF grant for brownfield remediation. The Authority dispersed these funds to City Club during the year ended September 30, 2018. City Club also received approximately \$675,000 in MDEQ grants and a \$110,000 MDEQ loan through the Authority, which was acting as a fiduciary.

The Authority maintains a \$800,000 EPA RLF as part of a collaboration with the DEGC and the County. The Authority expects to disburse these funds during the year ending September 30, 2019. The Authority was also awarded another \$500,000 supplemental EPA RLF for brownfield remediation.

Rental revenue increased during the year due to increases in docking. Dockings grew during the year from approximately \$41,000 during the year ended September 30, 2017 to approximately \$65,000 during the year ended September 30, 2018, an increase of approximately 56 percent for the year. Docking income increased during the year due to more vessel visits from the *Victory I* and the *Victory II*. During the year, the dock had 55 dinner yacht visits. During the year ending September 30, 2019, the Authority estimates close to 30 cruise ship visits and roughly 50 dinner yacht visits will occur.

Revenue generated from the Authority's Master Concession Agreement with the Ambassador Port Company continues to decline, with income of \$158,495 during the year ended September 30, 2018, compared to \$187,232 during the year ended September 30, 2017. During the year ended September 30, 2018, the Master Concession Agreement note payable decreased by approximately \$37,000. The original note in 2005 was \$2,103,000; after 13 years and \$1,905,817 in payments, the current balance remains \$1,982,120.

**FINANCIAL CONTACT**

This financial report is designed to present its users with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Executive Director's office of the Detroit/Wayne County Port Authority at 130 East Atwater, Detroit, Michigan 48226.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF NET POSITION**

September 30, 2018 and 2017

	<b><u>Governmental Activities</u></b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>Assets:</b>		
Cash	\$ 1,624,802	\$ 1,011,638
Accounts receivable (no allowance considered necessary)	169,733	128,614
Prepaid expenses	20,887	20,587
Loans receivable (Note C)	2,383,878	1,646,316
Capital assets (Note D):		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets, net	<u>17,436,931</u>	<u>18,164,299</u>
<b>Total Assets</b>	<b><u>25,613,171</u></b>	<b><u>24,948,394</u></b>
<b>Liabilities:</b>		
Accounts payable	208,516	110,112
Accrued expenses	5,631	8,605
Long-term liabilities (Note E):		
Due or expected to be paid within one year	185,634	174,732
Due or expected to be paid in more than one year	<u>3,796,528</u>	<u>2,944,229</u>
<b>Total Liabilities</b>	<b><u>4,196,309</u></b>	<b><u>3,237,678</u></b>
<b>Net Position:</b>		
Net investment in capital assets	17,431,709	19,022,278
Unrestricted	<u>3,985,153</u>	<u>2,688,438</u>
<b>Total Net Position</b>	<b><u>\$ 21,416,862</u></b>	<b><u>\$ 21,710,716</u></b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF ACTIVITIES**

**For the Years Ended September 30, 2018 and 2017**

	<b>Governmental Activities</b>	
	<b>2018</b>	<b>2017</b>
<b>Expenses and Losses:</b>		
Import and export promotional programs:		
Salaries, wages, and employee benefits	\$ 480,204	\$ 547,440
Contractual and professional services	118,775	199,543
Facility operations	97,093	79,366
Facility maintenance	136,989	119,175
Office expenses	64,401	66,555
Travel and meetings	9,306	12,082
Conferences, dues, and subscriptions	27,440	37,140
Marketing and promotion	33,771	40,797
Site reclamation and redevelopment	1,477,805	142,805
Interest expense	121,698	125,455
Depreciation (Note D)	739,474	740,970
Loss on disposition of capital assets	2,720	4,029
	<b>3,309,676</b>	<b>2,115,357</b>
<b>Program Revenue:</b>		
Contracts and grants (Note G)	2,646,972	1,290,579
	<b>662,704</b>	<b>824,778</b>
<b>General Revenue:</b>		
Rental income	351,373	328,803
Other income	17,477	4,627
	<b>368,850</b>	<b>333,430</b>
	<b>(293,854)</b>	<b>(491,348)</b>
Net Position, Beginning of Year	21,710,716	22,202,064
	<b>\$ 21,416,862</b>	<b>\$ 21,710,716</b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**BALANCE SHEETS — GOVERNMENTAL FUNDS**

**September 30, 2018**

**(With Comparative Totals as of September 30, 2017)**

	2018			Total All Funds	
	General Fund	Special Revenue Fund	Debt Service Fund	2018	2017
<b>ASSETS</b>					
Cash	\$ 521,781	\$ 1,103,021	\$ -0-	\$ 1,624,802	\$ 1,011,638
Accounts receivable (no allowance considered necessary)	169,733			169,733	128,614
Prepaid expenditures	20,887			20,887	20,587
<b>Total Assets</b>	<b>\$ 712,401</b>	<b>\$ 1,103,021</b>	<b>\$ -0-</b>	<b>\$ 1,815,422</b>	<b>\$ 1,160,839</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 136,343	\$ 72,173	\$ -0-	\$ 208,516	\$ 110,112
<b>Total Liabilities</b>	<b>136,343</b>	<b>72,173</b>	<b>-0-</b>	<b>208,516</b>	<b>110,112</b>
<b>Fund Balances:</b>					
Nonspendable	20,887			20,887	20,587
Committed	5,000			5,000	5,000
Assigned		1,030,848		1,030,848	396,156
Unassigned	550,171			550,171	628,984
<b>Total Fund Balances</b>	<b>576,058</b>	<b>1,030,848</b>	<b>-0-</b>	<b>1,606,906</b>	<b>1,050,727</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 712,401</b>	<b>\$ 1,103,021</b>	<b>\$ -0-</b>	<b>\$ 1,815,422</b>	<b>\$ 1,160,839</b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**BALANCE SHEETS — GOVERNMENTAL FUNDS**

September 30, 2017

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Debt Service Fund</b>	<b>Total All Funds</b>
<b>ASSETS</b>				
Cash	\$ 585,447	\$ 426,191	\$ -0-	\$ 1,011,638
Accounts receivable (no allowance considered necessary)	127,644	970		128,614
Prepaid expenditures	20,587			20,587
<b>Total Assets</b>	<b>\$ 733,678</b>	<b>\$ 427,161</b>	<b>\$ -0-</b>	<b>\$ 1,160,839</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 79,107	\$ 31,005	\$ -0-	\$ 110,112
<b>Total Liabilities</b>	<b>79,107</b>	<b>31,005</b>	<b>-0-</b>	<b>110,112</b>
<b>Fund Balances:</b>				
Nonspendable	20,587			20,587
Committed	5,000			5,000
Assigned		396,156		396,156
Unassigned	628,984			628,984
<b>Total Fund Balances</b>	<b>654,571</b>	<b>396,156</b>	<b>-0-</b>	<b>1,050,727</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 733,678</b>	<b>\$ 427,161</b>	<b>\$ -0-</b>	<b>\$ 1,160,839</b>

See notes to financial statements.



DETROIT/WAYNE COUNTY PORT AUTHORITY

**RECONCILIATIONS OF GOVERNMENTAL FUNDS BALANCE SHEETS TO STATEMENTS OF NET POSITION**

**September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
Total Fund Balances, Governmental Funds	\$ 1,606,906	\$ 1,050,727
<p>Amounts reported for governmental activities in the statements of net position differ from amounts reported in the governmental funds balance sheets due to the following:</p>		
<p>Certain assets are not due and receivable in the current period and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Loans receivable	2,383,878	1,646,316
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of the following:</p>		
Nondepreciable capital assets	3,976,940	3,976,940
Depreciable capital assets:		
Cost	22,600,351	22,590,625
Less: Accumulated depreciation	(5,163,420)	(4,426,326)
<p>Certain liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of the following:</p>		
Loans payable	(3,982,162)	(3,118,961)
Accrued vacation pay	(5,631)	(8,605)
	<u>                    </u>	<u>                    </u>
<b>Total Net Position, Governmental Activities</b>	<b><u>\$ 21,416,862</u></b>	<b><u>\$ 21,710,716</u></b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS**

**For the Year Ended September 30, 2018  
(With Comparative Totals for the Year Ended September 30, 2017)**

	2018			Total All Funds	
	General Fund	Special Revenue Fund	Debt Service Fund	2018	2017
<b>Revenue:</b>					
Contracts and grants (Note G)	\$ 841,169	\$ 1,805,803	\$ -0-	\$ 2,646,972	\$ 1,290,579
Rental income	351,373			351,373	328,803
Other income	17,477			17,477	4,627
<b>Total Revenue</b>	<b>1,210,019</b>	<b>1,805,803</b>	<b>-0-</b>	<b>3,015,822</b>	<b>1,624,009</b>
<b>Expenditures:</b>					
Current:					
Salaries, wages, and employee benefits	483,178			483,178	546,688
Contractual and professional services	118,775			118,775	199,543
Facility operations	97,093			97,093	79,366
Facility maintenance	136,989			136,989	119,175
Office expenses	64,401			64,401	66,555
Travel and meetings	9,306			9,306	12,082
Conferences, dues, and subscriptions	27,440			27,440	37,140
Marketing and promotion	33,771			33,771	40,797
Site reclamation and redevelopment		1,477,805		1,477,805	142,805
Interest expense			121,698	121,698	125,455
Debt service (Note E)			59,556	59,556	84,504
Capital outlay (Note D)		14,826		14,826	81,280
<b>Total Expenditures</b>	<b>970,953</b>	<b>1,492,631</b>	<b>181,254</b>	<b>2,644,838</b>	<b>1,535,390</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>239,066</b>	<b>313,172</b>	<b>(181,254)</b>	<b>370,984</b>	<b>88,619</b>
<b>Other Financing Sources (Uses):</b>					
Interfund transfers	(317,579)	159,082	158,497	-0-	-0-
Issuance of loan receivable proceeds (Note C)		(828,054)		(828,054)	(553,058)
Repayment of loan receivable proceeds (Note C)		90,492		90,492	90,095
Issuance of loan payable proceeds (Note E)		900,000		900,000	-0-
Other additions to loans payable (Note E)			22,757	22,757	22,727
<b>Total Other Financing Sources (Uses)</b>	<b>(317,579)</b>	<b>321,520</b>	<b>181,254</b>	<b>185,195</b>	<b>(440,236)</b>
<b>Net Increase (Decrease) in Fund Balances</b>	<b>(78,513)</b>	<b>634,692</b>	<b>-0-</b>	<b>556,179</b>	<b>(351,617)</b>
Fund Balances, Beginning of Year	654,571	396,156	-0-	1,050,727	1,402,344
<b>Fund Balances, End of Year</b>	<b>\$ 576,058</b>	<b>\$ 1,030,848</b>	<b>\$ -0-</b>	<b>\$ 1,606,906</b>	<b>\$ 1,050,727</b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND  
BALANCES — GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2017

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total All Funds</u>
<b>Revenue:</b>				
Contracts and grants (Note G)	\$ 1,155,432	\$ 135,147	\$ -0-	\$ 1,290,579
Rental income	328,803			328,803
Other income	4,627			4,627
<b>Total Revenue</b>	<b>1,488,862</b>	<b>135,147</b>	<b>-0-</b>	<b>1,624,009</b>
<b>Expenditures:</b>				
Current:				
Salaries, wages, and employee benefits	546,688			546,688
Contractual and professional services	199,543			199,543
Facility operations	79,366			79,366
Facility maintenance	119,175			119,175
Office expenses	66,555			66,555
Travel and meetings	12,082			12,082
Conferences, dues, and subscriptions	37,140			37,140
Marketing and promotion	40,797			40,797
Site reclamation and redevelopment		142,805		142,805
Interest expense			125,455	125,455
Debt service (Note E)			84,504	84,504
Capital outlay (Note D)		81,280		81,280
<b>Total Expenditures</b>	<b>1,101,346</b>	<b>224,085</b>	<b>209,959</b>	<b>1,535,390</b>
<b>Excess (Deficiency) of Revenue over Expenditures</b>	<b>387,516</b>	<b>(88,938)</b>	<b>(209,959)</b>	<b>88,619</b>
<b>Other Financing Sources (Uses):</b>				
Interfund transfers	(183,691)	(3,541)	187,232	-0-
Issuance of loan receivable proceeds (Note C)		(553,058)		(553,058)
Repayment of loan receivable proceeds (Note C)		90,095		90,095
Other additions to loans payable (Note E)			22,727	22,727
<b>Total Other Financing Sources (Uses)</b>	<b>(183,691)</b>	<b>(466,504)</b>	<b>209,959</b>	<b>(440,236)</b>
<b>Net Increase (Decrease) in Fund Balances</b>	<b>203,825</b>	<b>(555,442)</b>	<b>-0-</b>	<b>(351,617)</b>
Fund Balances, Beginning of Year	450,746	951,598	-0-	1,402,344
<b>Fund Balances, End of Year</b>	<b>\$ 654,571</b>	<b>\$ 396,156</b>	<b>\$ -0-</b>	<b>\$ 1,050,727</b>

See notes to financial statements.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**RECONCILIATIONS OF GOVERNMENTAL FUNDS STATEMENTS OF REVENUE,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO STATEMENTS OF  
ACTIVITIES**

For the Years Ended September 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Net Increase (Decrease) in Fund Balances, Governmental Funds	\$ 556,179	\$ (351,617)
<p>Amounts reported for governmental activities in the statements of activities differ from amounts reported in the governmental funds statements of revenue, expenditures, and changes in fund balances due to the following:</p>		
<p>Proceeds issued on loans receivable are reported as a financing source, and repayment of loans receivable is reported as a financing use, in governmental funds, but the additions and reductions increase and decrease, respectively, long-term assets in the statements of net position. During the years presented, these amounts are as follows:</p>		
Issuance of loan receivable proceeds	828,054	553,058
Repayment of loan receivable proceeds	(90,492)	(90,095)
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statements of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense, and dispositions of capital assets are reflected as gains or losses. During the years presented, these amounts are as follows:</p>		
Capital outlay	14,826	81,280
Less:		
Depreciation expense	(739,474)	(740,970)
Loss on disposition of capital assets	(2,720)	(4,029)
<p>Certain expenses and losses reported in the statements of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. During the years presented these amounts are as follows:</p>		
Accrued vacation pay, beginning of year	8,605	7,853
Less: Accrued vacation pay, end of year	(5,631)	(8,605)
<p>Proceeds issued on, and other additions to, long-term debt are reported as a financing source, and repayment of, and other reductions of, long-term debt are reported as an expenditure in governmental funds, but the additions and reductions increase and decrease, respectively, long-term liabilities in the statements of net position. During the years presented, these amounts are as follows:</p>		
Issuance of loan payable proceeds	(900,000)	-0-
Other additions to loans payable	(22,757)	(22,727)
Reductions to loans payable	59,556	84,504
	<u>          </u>	<u>          </u>
<b>Net Increase (Decrease) in Net Position, Governmental Activities</b>	<b><u>\$ (293,854)</u></b>	<b><u>\$ (491,348)</u></b>

See notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2018 and 2017**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities and Purpose**

The Detroit/Wayne County Port Authority (the “Authority”) was created by the Port Authority Act of 1978. The legislation enables the Authority to enter into contracts for the acquisition, improvement, enlargement, or extension of port facilities. The mission of the Authority is to plan, develop, and foster economic and recreational growth, through environmental stewardship, in promoting Detroit and southeast Michigan as an import and export freight transportation and distribution hub for the United States, Canada, and the world marketplace.

For financial reporting purposes, the Authority is not a component unit of any other governmental entity. There are no fiduciary funds or component units included in the accompanying financial statements.

**Basis of Presentation**

The financial statements of the Authority consist of government-wide financial statements, which include the statements of net position and statements of activities, and fund financial statements, which include the balance sheets and statements of revenue, expenditures, and fund balances for governmental funds.

**Government-Wide Financial Statements**

The government-wide financial statements report information about all of the Authority’s assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenue, and expenses. Deferred outflows of resources represent the consumption of net assets by the Authority that is applicable to a future reporting period, while deferred inflows of resources represent the acquisition of net assets by the Authority that is applicable to a future reporting period, and net position is the residual of all other elements presented in the statements of net position.

**Fund Financial Statements**

For purposes of the fund financial statements, the accounts of the Authority are organized on the basis of governmental funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balances, revenue, and expenditures. The various funds are summarized by type in the fund financial statements.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

The following funds are used by the Authority:

**General Fund**

The general fund is the general operating fund of the Authority. It is used to account for all financial resources other than those required to be accounted for in another fund.

**Special Revenue Fund**

The special revenue fund is used to account for revenue received by the Authority that is dedicated to special site reclamation and redevelopment projects. This fund is not legally required to adopt a budget.

**Debt Service Fund**

The debt service fund accounts for the servicing of general long-term obligations not being financed by proprietary or similar trust funds.

The Authority's fund balances are classified as follows, based on the relative strength of the spending constraints placed on the purposes for which resources can be used:

**Nonspendable**

These fund balances consist of amounts that are not in a spendable form (such as inventory or prepaid expenditures) or that are required to be maintained intact.

**Restricted**

These fund balances consist of amounts that are constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Presentation (continued)**

**Fund Financial Statements (continued)**

**Committed**

These fund balances consist of amounts that are constrained to specific purposes by the Authority itself, using its highest level of decision-making authority, which is the Board of Directors. To be reported as committed, such amounts cannot be used for any other purpose unless the Board of Directors takes action to remove or change the constraint. The Board of Directors typically establishes (and modifies or rescinds) fund balance commitments by passage of a resolution, or through adoption and amendment of the budget.

**Assigned**

These fund balances consist of amounts that the Authority intends to use for a specific purpose. Such intent can be expressed by the governing body, which is the Board of Directors, or by an official or body to which the Board of Directors delegates the authority. Assigned fund balances are typically established through funding agreements or adoption or amendment of the budget.

**Unassigned**

These fund balances consist of amounts that are available for any purpose. Only the general fund has a positive unassigned fund balance.

**Basis of Accounting**

**Government-Wide Financial Statements**

The government-wide financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus. Accordingly, revenue is recorded when earned and expenses are recorded when incurred. Contracts and grants provided to support program activities, as well as project development and administration fees, are classified as program revenue. Administrative, investment, event, and other income not directly associated with program services provided are classified as general revenue.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (continued)**

**Fund Financial Statements**

The fund financial statements are prepared on the modified accrual basis of accounting using the flow of current financial resources as a measurement focus. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual, which is when it is both measurable and available. "Available" means collectible within the current period or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the liability is incurred, if measurable. In applying the susceptible-to-accrual concept to intergovernmental revenue, the legal and contractual requirements of the numerous individual programs are used as guidance. Monies virtually unrestricted as to purpose of expenditure and revocable only for failure to comply with prescribed compliance requirements are reflected as revenue at the time of receipt, or earlier if the susceptible-to-accrual criteria are met.

Expenditures that are incurred for purposes for which both restricted and unrestricted fund balances are available are applied first to available restricted fund balances, then to unrestricted fund balances. Expenditures that are incurred for purposes for which committed, assigned, and unassigned fund balances are available are applied first to available committed fund balances, then to available assigned fund balances, and finally to unassigned fund balances.

**Capital Assets**

Capital assets are recorded at historical cost. The Authority capitalizes all expenditures for buildings, building improvements, and land improvements in excess of \$5,000, as well as all expenditures for furniture, fixtures, and equipment in excess of \$1,000. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets. Expenditures for maintenance and repairs are charged to expense. Renewals or betterments which extend the life or increase the value of the properties are capitalized and depreciated over the remaining useful lives of the related assets.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2018 and 2017**

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Pollution Remediation Obligations**

Pollution remediation obligations are obligations to address the current or potential detrimental effects of existing pollution by participating in activities such as site assessments and cleanups. Upon the occurrence of one of five specified events, the Authority estimates the components of expected pollution remediation outlays to determine whether outlays for these components should be accrued as a liability in the government-wide financial statements at current value or, under certain circumstances, whether these outlays should be capitalized in the government-wide financial statements. No pollution remediation obligations have been recorded as of September 30, 2018 and 2017 because none of the five specified events have occurred.

**Interfund Transactions and Eliminations**

Interfund transactions are recorded as a payable by the receiving fund and as a receivable by the advancing fund in the fund financial statements. All interfund transactions and balances have been eliminated in the accompanying financial statements.

**Fair Value Measurements**

The Authority uses fair value measurements in the preparation of its financial statements, which utilize various inputs, including those that can be readily observable, corroborated, or are generally unobservable. The Authority utilizes market-based data and valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Additionally, the Authority applies assumptions that market participants would use in pricing an asset or liability, including assumptions about risk.

The measurement of fair value includes a hierarchy based on the quality of inputs used to measure fair value. Financial assets and liabilities are categorized into this three-level fair value hierarchy based on the inputs to the valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets and liabilities and the lowest priority to unobservable inputs.

The various levels of the fair value hierarchy are described as follows:

- Level 1 — Financial assets and liabilities whose values are based on unadjusted quoted market prices for identical assets and liabilities in an active market that the Authority has the ability to access

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

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**NOTE A — NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fair Value Measurements (continued)**

- Level 2 — Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable for substantially the full term of the asset or liability
- Level 3 — Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement

The use of observable market data, when available, is required in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

As of September 30, 2018 and 2017, the Authority does not have any financial assets or liabilities subject to being classified in any of the above categories.

**Concentration of Credit Risk**

During the years ended September 30, 2018 and 2017, the Authority made purchases from two vendors and one vendor, respectively, of \$1,175,113 and \$668,306, respectively, or approximately 60 percent and 48 percent, respectively, of total purchases. The total amounts due to these vendors were \$72,173 and \$-0- as of September 30, 2018 and 2017, respectively.

**Compensated Absences**

Vacation time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over a maximum of five days. Upon termination, employees are entitled to their unused accumulated vacation time.

Sick time is accrued in the government-wide financial statements as earned. Employees are allowed to carry over all sick time. Upon termination, employees forfeit their unused accumulated sick time.

In the fund financial statements, only the matured liability for compensated absences is recorded. The total liability for vacation pay is reported in the government-wide financial statements.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****September 30, 2018 and 2017****NOTE B — CASH DEPOSITS**

State of Michigan (the “State”) statutes require that certificates of deposit, savings accounts, deposit accounts, and depository receipts be made with banks doing business and having a place of business in the State that are also members of a federal or national insurance corporation.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to the Authority. The Authority does not have a deposit policy for custodial credit risk.

As of September 30, 2018 and 2017, the Authority’s carrying amount of deposits and bank balances, and the bank balances that are not covered by federal depository insurance, are as follows:

	<u>2018</u>	<u>2017</u>
Carrying amount of deposits	<u>\$ 1,624,802</u>	<u>\$ 1,011,638</u>
Total bank balances	<u>\$ 1,674,135</u>	<u>\$ 1,091,517</u>
Uninsured and uncollateralized bank balances	<u>\$ 1,174,135</u>	<u>\$ 591,517</u>

**NOTE C — LOANS RECEIVABLE**

The Authority has entered into a grant program agreement with the U.S. Environmental Protection Agency (“EPA”). The purpose of the program is to issue revolving loans for Brownfield zone cleanup projects. On November 4, 2013, the Authority executed an agreement with Kirco CH Associates, Inc. (“Kirco”) to borrow funds under the program and to perform site development and cleanup work in accordance with the terms of the program and the agreement with the Authority. Funds totaling \$915,000 have been disbursed. The note bears interest at a rate of 0.44 percent and is payable in 10 equal annual installments.

The Authority has also entered into a loan agreement with the Michigan Department of Environmental Quality (“MDEQ”), as discussed in Note E. The purpose of the loan is to provide funding for remediation and redevelopment of Brownfield projects. On September 16, 2015, the Authority executed a loan agreement with Ferrous CAL Company (“Ferrous”) to borrow funds for the remediation and redevelopment of a former steel mill in Gibraltar, Michigan. The note bears interest rate of 1.5 percent and is payable in 10 annual installments beginning on September 16, 2020.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

**NOTE C — LOANS RECEIVABLE (CONTINUED)**

In addition, the Authority has entered into a separate loan agreement with the MDEQ, which received funding from the EPA, as discussed in Note E. The purpose of this loan is to provide funding to facilitate the redevelopment of the former Statler Hotel, located in the center of downtown Detroit. On September 14, 2017, the Authority executed a loan agreement with City Club Apartments to borrow funds for the redevelopment of the aforementioned site. \$500,000 was disbursed to City Club Apartments during the year ended September 30, 2018. The note bears interest at a rate of 0.5 percent and is payable in five annual installments of \$100,000, beginning on September 14, 2020.

Loans receivable activity for the years ended September 30, 2018 and 2017 is as follows:

	<u>Kirco</u>	<u>Ferrous</u>	<u>City Club Apartments</u>	<u>Total</u>
Balance, October 1, 2016	\$ 825,301	\$ 358,052	\$ -0-	\$ 1,183,353
Additions		553,058		553,058
Less: Repayments	(90,095)			(90,095)
<b>Balance, September 30, 2017</b>	<b>735,206</b>	<b>911,110</b>	<b>-0-</b>	<b>1,646,316</b>
Additions		328,054	500,000	828,054
Less: Repayments	(90,492)			(90,492)
<b>Balance, September 30, 2018</b>	<b><u>\$ 644,714</u></b>	<b><u>\$ 1,239,164</u></b>	<b><u>\$ 500,000</u></b>	<b><u>\$ 2,383,878</u></b>
<b>Amounts Due Within One Year:</b>				
September 30, 2017	<u>\$ 90,492</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 90,492</u>
September 30, 2018	<u>\$ 90,891</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 90,891</u>

DETROIT/WAYNE COUNTY PORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2018 and 2017**

**NOTE D — CAPITAL ASSETS**

Nondepreciable capital asset activity for the years ended September 30, 2018 and 2017 is as follows:

	<u>Land</u>	<u>Construction in Progress</u>	<u>Total</u>
Balance, October 1, 2016	\$ 3,976,940	\$ 52,011	\$ 4,028,951
Less: Transfers to building and improvements		(52,011)	(52,011)
<b>Balance, September 30, 2017</b>	<b><u>3,976,940</u></b>	<b><u>-0-</u></b>	<b><u>3,976,940</u></b>
<b>Balance, September 30, 2018</b>	<b><u>\$ 3,976,940</u></b>	<b><u>\$ -0-</u></b>	<b><u>\$ 3,976,940</u></b>

Depreciable capital asset activity for the years ended September 30, 2018 and 2017 is as follows:

	<u>Building and Improvements</u>	<u>Office Equipment</u>	<u>Furniture and Fixtures</u>	<u>Total</u>
<b>Cost:</b>				
Balance, October 1, 2016	\$ 22,189,729	\$ 42,188	\$ 229,446	\$ 22,461,363
Acquisitions	67,930	13,350		81,280
Transfers from construction in progress	52,011			52,011
Less: Dispositions		(4,029)		(4,029)
<b>Balance, September 30, 2017</b>	<b><u>22,309,670</u></b>	<b><u>51,509</u></b>	<b><u>229,446</u></b>	<b><u>22,590,625</u></b>
Acquisitions	2,148	10,051	2,627	14,826
Less: Dispositions			(5,100)	(5,100)
<b>Balance, September 30, 2018</b>	<b><u>\$ 22,311,818</u></b>	<b><u>\$ 61,560</u></b>	<b><u>\$ 226,973</u></b>	<b><u>\$ 22,600,351</u></b>

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

**NOTE D — CAPITAL ASSETS (CONTINUED)**

	<b><u>Building and Improvements</u></b>	<b><u>Office Equipment</u></b>	<b><u>Furniture and Fixtures</u></b>	<b><u>Total</u></b>
<b>Accumulated Depreciation:</b>				
Balance, October 1, 2016	\$ 3,471,338	\$ 41,840	\$ 172,178	\$ 3,685,356
Depreciation expense	<u>703,587</u>	<u>4,053</u>	<u>33,330</u>	<u>740,970</u>
<b>Balance, September 30, 2017</b>	<b>4,174,925</b>	<b>45,893</b>	<b>205,508</b>	<b>4,426,326</b>
Depreciation expense	712,515	5,697	21,262	739,474
Less: Dispositions	<u>                    </u>	<u>                    </u>	<u>(2,380)</u>	<u>(2,380)</u>
<b>Balance, September 30, 2018</b>	<b><u>\$ 4,887,440</u></b>	<b><u>\$ 51,590</u></b>	<b><u>\$ 224,390</u></b>	<b><u>\$ 5,163,420</u></b>
<b>Net Depreciable Capital Assets:</b>				
Balance, September 30, 2017	<u>\$ 18,134,745</u>	<u>\$ 5,616</u>	<u>\$ 23,938</u>	<u>\$ 18,164,299</u>
Balance, September 30, 2018	<u><u>\$ 17,424,378</u></u>	<u><u>\$ 9,970</u></u>	<u><u>\$ 2,583</u></u>	<u><u>\$ 17,436,931</u></u>

**NOTE E — LONG-TERM LIABILITIES**

Long-term liabilities as of September 30, 2018 and 2017 consist of the following:

**Ambassador Port Company**

The Authority entered into a Master Concession Agreement with the Ambassador Port Company (“Ambassador”), which gives Ambassador the right to operate the Authority’s port facilities. In connection with the Master Concession Agreement, the Authority borrowed \$2,103,000 from Ambassador. The related note agreement includes a provision for the possible advance of future amounts by Ambassador for the purpose of paying certain operating and expansion costs of the facilities associated with the Master Concession Agreement. The note bears interest at a rate defined in the Master Concession Agreement as 300 basis points over the yield to maturity of five-year United States Treasury notes, as published in a respected financial journal. According to the agreement, the interest rate should not be less than six percent; the rate that has been charged as of September 30, 2018 and 2017 was six percent. Repayment of the note is based on revenue received by the Authority under relevant sections of the Master Concession Agreement.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

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**NOTE E — LONG-TERM LIABILITIES (CONTINUED)**

**Michigan Department of Environmental Quality**

The Authority entered into the following two \$1,000,000 loan agreements with the MDEQ on August 17, 2015:

- Brownfield Redevelopment Loan Contract (“Brownfield Loan”)
- Revitalization Revolving Loan Contract (“Revitalization Loan”)

As discussed in Note C, the purpose of these loans is a remediation and redevelopment project of a former steel mill in Gibraltar, Michigan. The Brownfield Loan is payable in 10 annual installment payments of principal and interest of \$97,826, beginning in August 2020. The Revitalization Loan is payable in 10 annual installment payments of principal and interest of \$97,826, beginning in March 2021. Each note bears interest at a rate of 1.5 percent. As of September 30, 2018, the MDEQ had disbursed all of the authorized amount of each loan to the Authority for use on the project.

As discussed in Note C, the Authority also entered into a separate Brownfield Redevelopment Loan contract with the MDEQ on July 5, 2017. As of September 30, 2018, the MDEQ had not disbursed any of the authorized amount of \$250,000.

**Continental Catering**

The Authority entered into a loan agreement with Continental Catering (“Continental”) on November 11, 2013 in relation to a reimbursement note for a build-out of the facilities utilized for special events at the Authority. The loan was for \$75,000 at seven percent interest per annum, with a maturity date of November 11, 2015. All accrued interest and outstanding principal were due and payable at maturity.

Payments on the Ambassador and Continental loans are made primarily from the general fund. Payments on the MDEQ loans are anticipated to be made primarily from the special revenue fund.

DETROIT/WAYNE COUNTY PORT AUTHORITY

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

**NOTE E — LONG-TERM LIABILITIES (CONTINUED)**

Long-term liability activity for the years ended September 30, 2018 and 2017 is as follows:

	<u>Ambassador</u>	<u>MDEQ</u>	<u>Continental</u>	<u>Total</u>
Balance, October 1, 2016	\$ 2,080,696	\$ 1,100,000	\$ 42	\$ 3,180,738
Additions	22,727			22,727
Less: Repayments	<u>(84,504)</u>			<u>(84,504)</u>
<b>Balance, September 30, 2017</b>	<b>2,018,919</b>	<b>1,100,000</b>	<b>42</b>	<b>3,118,961</b>
Additions	22,757	900,000		922,757
Less: Repayments	<u>(59,556)</u>			<u>(59,556)</u>
<b>Balance, September 30, 2018</b>	<b><u>\$ 1,982,120</u></b>	<b><u>\$ 2,000,000</u></b>	<b><u>\$ 42</u></b>	<b><u>\$ 3,982,162</u></b>
<b>Amounts Due Within One Year:</b>				
September 30, 2017	<u>\$ 174,690</u>	<u>\$ -0-</u>	<u>\$ 42</u>	<u>\$ 174,732</u>
September 30, 2018	<u>\$ 185,592</u>	<u>\$ -0-</u>	<u>\$ 42</u>	<u>\$ 185,634</u>

Maturities of long-term liabilities are estimated to be as follows as of September 30, 2018:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<b>For the Years Ending September 30:</b>			
2019	\$ 185,634	\$ 64,408	\$ 250,042
2020	295,001	52,825	347,826
2021	391,601	54,053	445,654
2022	1,559,725	33,963	1,593,688
2023	172,400	23,253	195,653
2024-2028	901,574	76,691	978,265
2029-2031	<u>476,227</u>	<u>12,905</u>	<u>489,132</u>
	<b><u>\$ 3,982,162</u></b>	<b><u>\$ 318,098</u></b>	<b><u>\$ 4,300,260</u></b>

The estimated maturities in the preceding schedule are based on the assumption that the effective interest rate each year on the Ambassador note payable will be six percent, which is equal to the effective interest rate as of September 30, 2018, and that the revenue received by the Authority under the relevant sections of the Master Concession Agreement will be \$250,000 each year. Due to the nature of these assumptions and the uncertainties inherent in setting them, it is at least reasonably possible that changes in the near term to these assumptions would be material to the preceding schedule.



**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2018 and 2017**

**NOTE F — LEASES**

The Authority leases office equipment under operating leases that expire at various dates through 2021. The following is a schedule by year of future minimum lease payments under these leases as of September 30, 2018:

<b>For the Year Ending September 30:</b>	
2019	\$ 3,467
2020	3,400
2021	<u>510</u>
	<u><u>\$ 7,377</u></u>

Rental expense under operating leases for the years ended September 30, 2018 and 2017 was \$3,467 and \$4,336, respectively.

**NOTE G — CONTRACTS AND GRANTS**

The Authority has entered into contracts with the following governmental entities from which it receives operating funds:

**State of Michigan**

The Authority's contract with the Michigan Department of Transportation is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be determined annually.

**County of Wayne**

The Authority receives a line-item appropriation in the budget of the County of Wayne. The amount of funding for future years under the appropriation will be determined annually.

**City of Detroit**

The Authority's contract with the City of Detroit is renewed annually unless a notice to terminate is requested by either party. The amount of funding for future years under the contract will be determined annually.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2018 and 2017**

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**NOTE G — CONTRACTS AND GRANTS (CONTINUED)**

The Authority has also obtained the following grants:

**Port Security Grants**

The Authority received a series of reimbursement grants from the U.S. Department of Homeland Security for the purpose of investing in projects that mitigate gaps in security, while advancing economic development goals of the region by encouraging local companies and businesses to provide solutions. The Authority provides status reports on a quarterly basis.

**Michigan Department of Environmental Quality Grants**

The Authority received a \$245,000 grant from the MDEQ in connection with the loan agreement discussed in Note E. The Authority also received a \$675,000 grant from the MDEQ in connection with the City Club Apartments loan agreement.

**Environmental Protection Agency Revolving Loan Fund Grants**

The Authority received a \$1,000,000 grant from the EPA Revolving Loan Fund for environmental site investigations and clean-ups within Wayne County. The Authority issued the funds in 2014 and has received an additional \$500,000 in supplemental funding from the EPA.

The Authority also received a second grant of \$820,000 from the EPA Revolving Loan Fund during the year ended September 30, 2017. As of September 30, 2018, \$500,000 has been issued from this grant.

Reimbursable costs incurred under the above grants have been recorded as grant revenue in the accompanying financial statements.

**Ambassador Port Revenue**

The Authority entered into a Master Concession Agreement with Ambassador. The Authority's main purpose for entering into this agreement is to cause a dormant port facility to resume operations. The parties agreed that the Authority is to be compensated for out-of-pocket and administrative costs that the Authority incurs. According to the Master Concession Agreement, Ambassador is to pay the Authority 2.5 percent of gross receipts received in each quarter, less all outstanding interest that accrued during that quarter, any default interest due, and any interest accrued during prior quarters that was added to the principal amount of the promissory note. These payments from Ambassador are recorded as contract revenue.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

**NOTE G — CONTRACTS AND GRANTS (CONTINUED)**

Total contract and grant revenue for the years ended September 30, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
General fund:		
State of Michigan	\$ 200,000	\$ 468,200
County of Wayne	250,000	250,000
City of Detroit	232,674	250,000
Ambassador port revenue	<u>158,495</u>	<u>187,232</u>
Total General Fund Contracts and Grants	<u>841,169</u>	<u>1,155,432</u>
Special revenue fund:		
Port security grants	585,899	-0-
MDEQ grants	785,349	101,492
EPA Revolving Loan Fund grants	<u>434,555</u>	<u>33,655</u>
Total Special Revenue Fund Contracts and Grants	<u>1,805,803</u>	<u>135,147</u>
	<u><u>\$ 2,646,972</u></u>	<u><u>\$ 1,290,579</u></u>

**NOTE H — RISK MANAGEMENT**

Given the normal activities of the Authority and the relatively low rate of claims and lawsuits experienced in the Authority's past history, the risk involved in the Authority's operations is minimal and, in management's opinion, is sufficiently covered by insurance policies.

**NOTE I — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and State law for the general fund. All annual appropriations lapse at the end of the fiscal year.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

September 30, 2018 and 2017

**NOTE I — STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY  
(CONTINUED)**

Under the State’s Uniform Budgeting and Accounting Act, actual expenditures for any budgeted expenditure category are not to exceed the amounts budgeted for that category. The Uniform Budgeting and Accounting Act permits governmental entities to amend their budgets during the year, and requires amended budgets to be approved by the governing body prior to expending funds in excess of the amount budgeted for that category.

During the year ended September 30, 2018, the Authority incurred expenditures in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Facility operations	\$ 93,161	\$ 97,093	\$ (3,932)
Facility maintenance	130,763	136,989	(6,226)
Office expenses	56,141	64,401	(8,260)
Travel and meetings	9,285	9,306	(21)
Conferences, dues, and subscriptions	20,620	27,440	(6,820)

Revenue was sufficient to cover the excess expenditures.

**NOTE J — NEW ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board (“GASB”) issued Statement of Governmental Accounting Standards (“SGAS”) No. 87, *Leases*, in June 2017. SGAS No. 87 requires the recognition by lessees of assets and liabilities that arise from all lease transactions, except for leases with a lease term of 12 months or less. The lessee accounting model under SGAS No. 87 will result in all leases with a lease term of more than 12 months being accounted for in substantially the same manner as the existing accounting for capital leases. SGAS No. 87 also requires expanded qualitative and quantitative disclosures regarding the amount, timing, and uncertainty of cash flows arising from leases. SGAS No. 87 applies to the Authority’s financial statements for the year ending September 30, 2021, with earlier implementation permitted. The Authority’s management has not determined the impact on its financial statements as a result of implementing SGAS No. 87.

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**September 30, 2018 and 2017**

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**NOTE J — NEW ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

The GASB issued SGAS No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, in March 2018. Under SGAS No. 88, in addition to existing disclosure requirements related to debt, disclosures will be required regarding the amount of unused lines of credit and assets pledged as collateral for debt. Also, the disclosure requirements for certain terms in debt agreements will be expanded, and debt disclosures regarding direct borrowings and direct placements of debt will be required to be reported separately from debt disclosures regarding other debt. SGAS No. 88 applies to the Authority's financial statements for the year ending September 30, 2019, with earlier implementation permitted. The Authority's management has not determined the impact on its financial statements as a result of implementing SGAS No. 88.

**REQUIRED SUPPLEMENTARY INFORMATION**

DETROIT/WAYNE COUNTY PORT AUTHORITY

**SCHEDULES OF REVENUE AND EXPENDITURES — BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)**

For the Years Ended September 30, 2018 and 2017

	2018				2017			
	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget	Original Budget	Final Budget	Actual	Positive (Negative) Variance with Final Budget
<b>Revenue:</b>								
Contracts and grants	\$ 700,000	\$ 693,113	\$ 841,169	\$ 148,056	\$ 968,200	\$ 968,200	\$ 1,155,432	\$ 187,232
Rental income	255,000	313,897	351,373	37,476	215,000	328,803	328,803	-0-
Other income	17,450	34,624	17,477	(17,147)	19,700	4,627	4,627	-0-
<b>Total Revenue</b>	<b>972,450</b>	<b>1,041,634</b>	<b>1,210,019</b>	<b>168,385</b>	<b>1,202,900</b>	<b>1,301,630</b>	<b>1,488,862</b>	<b>187,232</b>
<b>Expenditures:</b>								
Current:								
Salaries, wages, and employee benefits	477,237	486,782	483,178	3,604	600,632	547,440	546,688	752
Contractual and professional services	157,000	118,775	118,775	-0-	203,055	170,543	199,543	(29,000)
Facility operations	89,500	93,161	97,093	(3,932)	86,000	79,366	79,366	-0-
Facility maintenance	100,213	130,763	136,989	(6,226)	120,768	119,175	119,175	-0-
Office expenses	73,500	56,141	64,401	(8,260)	86,857	65,719	66,555	(836)
Travel and meetings	15,000	9,285	9,306	(21)	14,544	12,082	12,082	-0-
Conferences, dues, and subscriptions	30,000	20,620	27,440	(6,820)	37,140	37,140	37,140	-0-
Marketing and promotion	20,000	33,771	33,771	-0-	40,797	40,797	40,797	-0-
Economic development	10,000			-0-	8,000			-0-
Dock expenses				-0-	5,107			-0-
<b>Total Expenditures</b>	<b>972,450</b>	<b>949,298</b>	<b>970,953</b>	<b>(21,655)</b>	<b>1,202,900</b>	<b>1,072,262</b>	<b>1,101,346</b>	<b>(29,084)</b>
<b>Excess of Revenue over Expenditures</b>	<b>-0-</b>	<b>92,336</b>	<b>239,066</b>	<b>146,730</b>	<b>-0-</b>	<b>229,368</b>	<b>387,516</b>	<b>158,148</b>
<b>Other Financing Sources (Uses):</b>								
Interfund transfers			(317,579)	(317,579)			(183,691)	(183,691)
<b>Net Increase (Decrease) in Fund Balance</b>	<b>\$ -0-</b>	<b>\$ 92,336</b>	<b>\$ (78,513)</b>	<b>\$ (170,849)</b>	<b>\$ -0-</b>	<b>\$ 229,368</b>	<b>\$ 203,825</b>	<b>\$ (25,543)</b>

See notes to schedules of revenue and expenditures — budget and actual (general fund).

DETROIT/WAYNE COUNTY PORT AUTHORITY

**NOTES TO SCHEDULES OF REVENUE AND EXPENDITURES —  
BUDGET AND ACTUAL — GENERAL FUND (UNAUDITED)**

**For the Years Ended September 30, 2018 and 2017**

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**NOTE A — BUDGETS AND BUDGETARY ACCOUNTING**

The Detroit/Wayne County Port Authority (the “Authority”) establishes an administrative budget that is reflected in the financial statements for the general fund. The budget is presented on the modified accrual basis of accounting.

Budgeted amounts are as presented to and approved by the Authority’s Board of Directors. The original budget was amended made during the year. Appropriations are authorized by the Authority’s management. Unexpended appropriations lapse at the end of the fiscal year.